

BUSINESS PROCESS II

STUDENT AID ORIGATION AND DISBURSEMENT FOR THE PELL, CAMPUS-BASED, AND DIRECT LOAN PROGRAMS

SUMMARY: Under this process, ED provides funds for the Pell Grant, campus-based, and Direct Loan programs to participating schools. Schools determine the type and amount of awards that students and their parents are eligible to receive under these programs.

- In the Pell Grant program, OSFA establishes and increases the funding authorization levels for schools and transmits this information to the EDCAPS (GAPS). Schools draw down funds within their authorization levels from GAPS.
- In the campus-based programs, OSFA establishes a maximum authorization level for schools, and schools draw down funds as needed within this level from GAPS.
- In the Direct Loan program, schools draw down funds from GAPS (Option 2), or the OSFA DLOC draws down funds for schools (Standard an Option 1) from GAPS.

Schools disburse program awards by crediting a student's account or paying the student or parent directly by issuing a check, making a cash payment, or transferring the funds electronically to the student's checking account.

In addition, schools are responsible for maintaining accurate records of all program funds and for filing timely reports with ED regarding the disposition of those funds.

BUSINESS PROCESS GOAL: To provide needed program funds to schools so that schools can make timely aid disbursements to students and parents that qualify for those funds.

GENERAL BUSINESS PROCESS DESCRIPTION

Origination

For the purpose of contingency planning, origination includes the activities that a school performs in certifying that students are eligible to receive title IV program funds such as Pell, campus-based and Direct Loans; determining the type and amount of aid for which students qualify; and reporting those determinations to ED. In addition to satisfying other requirements, a student qualifies for most programs on the basis of financial need. A school determines a student's need

by subtracting the expected family contribution (EFC) from the student's cost of attendance. Students and parents that do not demonstrate financial need may borrow funds under the unsubsidized loan programs.

Disbursement

For the purpose of contingency planning, disbursement is the process by which schools obtain funds from EDCAPS/GAPS and provide those funds to students and parents. Under the disbursement process, a school requests funds from ED to make awards to eligible students and parents. A school disburses program funds by crediting a student's account or paying the student or parent directly by issuing a check, making a cash payment, or transferring the funds electronically to the student's checking account.

In the Direct Loan program, Option 2 schools estimate and request funds directly from EDCAPS/GAPS to make disbursements to eligible students and parents. Option 1 and Standard Option schools must first submit origination records to DLOC. Based on those records, OSFA determines the amount of funds the school needs and initiates a draw of funds on behalf of the school.

Authorization

ED provides an initial authorization to a school participating in the Pell Grant Program. The school requests funds under that authorization to make disbursements to eligible students. As additional students that qualify for Pell Grants enroll at the school during the award year, ED increases the school's authorization based on payment information (disbursement records) submitted by the school to enable the school to make disbursements to those students.

Unlike the Pell Grant program, a school receives a final authorization, or allocation, of campus-based program funds. ED notifies a school of its campus-based authorization in the spring prior to the award year. A school allocates these funds to students until they are exhausted.

Reporting

Generally, participating schools are required to report actual disbursement amounts and dates and to reconcile cash balances in federal student financial aid accounts to federal records. Pell Grant schools must provide origination and disbursement records to ED on an ongoing basis and must reconcile student level data periodically throughout the year. Direct Loan schools also provide origination and disbursement records to ED on an ongoing basis and must perform periodic loan reconciliation with ED. Schools participating in the campus-based programs must submit each year a Fiscal Operations and Application to Participate (FISAP) report showing how those funds were used.

Business Process II A

Student Aid Origination and Disbursement Pell Grant

BUSINESS PROCESS DESCRIPTION

1. ED establishes an initial authorization amount for Pell Grant funds.
2. Schools determine student eligibility and award amount.
3. Schools create origination records and send origination records to ED under RFMS.
4. ED sends origination acknowledgements to the school.
5. Schools create and send disbursement records to RFMS.
6. ED sends disbursement acknowledgements to the school.
7. Schools draw down Pell Grant funds from GAPS. Note: Schools that receive funds under the reimbursement method of payment have to submit documentation to reimbursement analysts before disbursements are approved.
8. The school disburses funds to the student by way of cash, check, credit to the student's school account, or EFT to the student's account.
9. ED adjusts the school's Pell Grant authorization levels based on the disbursement records submitted by the school.

BUSINESS PROCESS CONTINUITY AND CONTINGENCY PLAN FOR THE PELL GRANT PROGRAM

Potential Failure: RFMS cannot adjust a school's Pell Grant authorization level because it cannot receive or process the school's origination and/or disbursement records, or the school cannot create or transmit those records.

Contingency Plan: ED will increase all schools' authorization levels based on their historical funding needs (except for those schools that receive funds under

the reimbursement or Just-In-Time method of payment). In the event schools require increases which exceed historical funding levels or reimbursement or Just-in-Time schools require additional funds, revised procedures will be used to provide increases to schools on an emergency basis.

Assumptions:

1. The GAPS system that ED relies on to transfer title IV funds to schools will function satisfactorily.
2. ED will not enforce the student-level reporting requirements under §690.83 during a contingency period until March 1, 2000.

For more information, see the **DETAILED CONTINGENCY PLAN**.

DETAILED CONTINGENCY PLAN FOR PELL GRANT PROGRAM

This plan details the steps ED will take to increase a school's Pell Grant authorization in the event of an RFMS or school failure after January 1, 2000.

Business Owner (*This is the name of the business process owner with implementation authority.*)

Chief, Pell Financial Operations Branch
Institutional Financial Management Division (IFMD)
U.S. Department of Education
ROB-3, Room 4714
7th and D Streets, SW
Washington, DC 20202

I. Prerequisites (*Activities that need to be completed on or before December 31, 1999, to implement the contingency plan.*)

1. Before July 1, 1999, the Business Owner will draft a letter to schools informing them of (a) the steps they must take to increase their Pell Grant authorization levels in the event that they cannot provide origination and disbursement records to ED, and (b) the actions ED will take to increase authorization levels in the event that RFMS fails after January 1, 2000.
2. Beginning in May 1999, the Business Owner will develop an algorithm to forward fund schools.
3. The Business Resumption Team will test the algorithm in fall 1999.
4. The Business Resumption Team will develop a caseload work plan (e.g., decision tree). The work plan will detail the processes and procedures that the team will use to ensure that schools seeking an increase in Pell Grant authorization levels over and above their February 1999 levels or schools which receive funds by the reimbursement payment method receive assistance within seven days.

5. The Business Resumption Team IFMD will develop, with IPOS, the procedures for providing funds to schools on reimbursement based upon the reimbursement analysts' review of records submitted either by paper or electronic means.
6. The Business Resumption Team will prepare a "mass authorization" for early December based upon previous year February cash drawdown levels for all schools, except those on reimbursement.
7. Prior to December 30, 1999, ED will provide cell phones to the Business Owner and the Director of the Institutional Financial Management Division.
8. Prior to December 30, 1999, ED will purchase a high-speed fax machine (and ample toner), arrange for caller ISDN phones, and purchase an additional desktop printer, to facilitate receiving and responding to school requests for assistance.

II. Zero-Day Strategy *(In some instances it may be possible to minimize the risk of failure. The zero day strategy provides for risk reduction activities such as shutting down non-essential dependent processes to protect the critical process.)*

Detailed information about the Day-One Plan and Zero-Day Strategy for RFMS is maintained by Program System Services (PSS) as part of their Y2K preparation.

III. Trigger Criteria *(The criteria define the instance of failure, time required to initiate the contingency plan, and the time required to conduct other trigger activities.)*

Trigger *(A trigger is an event or chain of events that signals the need to implement the contingency plan.)*

The Pell Grant processing system (RFMS) fails and/or schools cannot provide origination and disbursement records to ED.

System Monitoring *(Ongoing systems review process.)*

ACS (contractor) production is responsible for monitoring RFMS and will know of any system failures beginning on January 3, 2000.

IFMD will become aware of school system failures when affected schools seek assistance by calling the Pell Grant Customer Service Hotline (1-800-4PGRANT).

Response Procedure *(Procedures for notifying responsible parties of system failures.)*

In the event of an RFMS failure: The contractor will notify ED by issuing a "System Alert" to Business Resumption Team. The Director of Student Aid

Origination and The Director of the Campus-based Systems Division are responsible for initiating and completing system repairs

In the event of school failures, the Pell Grant Customer Service Hotline staff will forward school failure information to the Business resumption Team. Team members will contact the school and provide assistance.

Event Monitoring *(Parties responsible for overseeing system repairs.)*

The Director of Student Aid Origination and The Director of the Campus-based Systems Division are responsible for monitoring the status of systems repairs and for reporting that status to the Business Owner on a daily basis.

Failure Tolerance Threshold *(The time ED will allow for system repairs to be completed before implementing the contingency plan.)*

Seven business days after becoming aware of a failure.

Implementation Timeframe *(The time it will take to implement the contingency plan.)*

The contingency plan can be implemented in one day.

Go No-Go Decision Point *(The last day by which the Business Owner must decide whether to proceed with the plan so that it can be implemented on the next day after the Failure Tolerance Threshold.)*

The Business Owner will determine whether to implement the contingency plan no later than the sixth business day after an RFMS or school failure, as applicable.

Notification Procedures *(The actions ED will take to inform customers and partners of the system failure and the contingency plan requirements.)*

In the event of an RFMS failure, IFMD will notify ED Customer Service that the contingency plan has been implemented. ED Customer Service will inform schools, reimbursement analysts and other interested parties that the plan has been implemented and of the steps that schools need to take under the plan.

IV. Business Resumption Team *(Identify and list the roles and responsibilities of team members.)*

Business Owner
Chief, Pell Financial Operations Branch

U.S. Department of Education
ROB-3, Room 4714
7th and D Streets, SW
Washington, DC 20202

Responsible for managing the overall activities associated with implementing the contingency plan and has the authority to commit ED resources and is also responsible for developing the algorithm to forward fund schools, determining whether a failure occurs, authorizing the implementation of the plan, authorizing systems repairs, approving authorization increases, and drafting contingency plan-related letters.

Senior Accountants (3), Pell Financial Operations Branch
U.S. Department of Education
ROB-3, Room 4714
7th and D Streets, SW
Washington, DC 20202

Responsible for analyzing school funding requests and making recommendations regarding those requests to the Business Owner.

Director, Student Aid Origination
U.S. Department of Education
ROB-3, Room 4621
7th and D Streets, SW
Washington, DC 20202

Director, Campus-based Systems Division
U.S. Department of Education
ROB-3, Room 4714
7th and D Streets, SW
Washington, DC 20202

Responsible for monitoring the system on a daily basis, providing statistical reporting data, notifying the Business Owner of any system failures, and authorizing system repairs.

V. Sequence of Required Activities *(The activities that the Business Resumption Team will carry out in support of the contingency plan and after the Business Owner decides to implement the contingency plan.)*

1. In the event of an RFMS failure, the Business Owner notifies ED customer service that IFMD has implemented the contingency plan. ED customer services notifies schools and other parties that the contingency plan has been implemented and that ED will not enforce the reporting requirements under §690.83 during the contingency period.

2. No later than six days after receiving a notice of a school (or multiple school) Y2K failure(s) and the need to draw funds which exceed the already-increased authorization level, the Senior Accountants will analyze the school's funding request and make recommendations regarding that request to the Business Owner, in accordance with the procedures in the caseload work plan. For schools on reimbursement, reimbursement analysts will fax disbursement data to Pell staff who will manually enter summary transaction information into RFMS screens for increases
3. In the event of an RFMS failure, on day two through six of the plan implementation a senior accountant or the Business Owner will increase the Pell Grant authorization of schools systematically, in accordance with the procedures in the caseload work plan.
4. On day seven of the plan implementation, the Business Owner submits approved funding requests to GAPS through the RFMS/Oracle Financial Application (assuming that RFMS operates properly). If there is a RFMS/Oracle failure, the approved funding requests will be made directly into GAPS.
5. For any failure scenario, schools must transmit origination and disbursement records to ED when RFMS and/or their systems become operational.
6. The Business Owner will prepare reports periodically for Senior ED management showing the schools seeking assistance. Senior ED management may use this information to determine whether to continue funding those schools.

VI. Testing Plan *(The activities ED will carry out before December 31, 1999, to test the contingency plan.)*

1. Test Objectives

To assure that ED can increase schools' funding in GAPS without student-level reporting.

2. Test Approach

The Business Resumption Team will test the mass authorization algorithm through GAPS to determine if funding increases are posted to school accounts.

3. Required Resources

No special resources are required.

4. Personnel

Chief, Pell Grant Financial Operations Branch
Senior Accountants (3)

5. Schedules and Locations

Test will be performed October 29, 1999, at ROB-3 and FB-6.

6. Test Procedures

The Business Resumption Team will test the mass authorization algorithm through GAPS to determine if funding increases are posted to school accounts.

7. Expected Results and Exit Criteria

GAPS properly reflects the algorithm-produced authorization increases.

Business Process II B

Student Aid Origination and Disbursement Campus-Based Programs

BUSINESS PROCESS DESCRIPTION

1. ED sends Fiscal Operations Report and Application (FISAP) to schools (see Note below.)
2. Schools complete and return FISAP to ED (see Note below.)
3. ED processes the FISAPs and establishes campus-based program allocation amounts for each school (see Note below.)
4. ED transfers campus-based accounting file to GAPS.
5. Schools make campus-based program awards to students.
6. If the award for a student includes a Perkins loan, schools produce and have the student sign a promissory note.
7. Schools draw down campus-based program funds as needed to make disbursements to eligible students.
8. Schools satisfy matching requirements for program funds drawn down.

Note: The FISAP is completed by a school electronically and transmitted to ED via the title IV Wide Area Network (TIV WAN). ED processes the school's FISAP data and initiates an edit process under which the school can make corrections to its FISAP data. The first round of edits takes place from October to December 15. ED uses the edited FISAP data to calculate

tentative campus-based program amounts (using a statutorily required allocation formula).

Under the law, ED must notify a school of its tentative allocation amounts by February 1 of the preceding award year. Although not required under the law, ED affords a school another opportunity to correct FISAP data (i.e., the second round of edits). Based on the statutory formula and this newly edited data, ED established final allocation amounts and advises schools of those amounts by April 1.

BUSINESS PROCESS CONTINUITY AND CONTINGENCY PLAN FOR THE CAMPUS-BASED PROGRAMS

Potential Failure: The campus-based system cannot receive or process data from the second round of FISAP edits or schools cannot provide that data after January 1, 2000.

Mitigation Plan: ED will calculate campus-based program allocations in December 1999 based on the first-round of FISAP edits.

Contingency Plan: In the event of an RFMS or school failure, ED will use the December 1999 tentative allocations as final awards.

Assumptions: None identified.

For more information, see the **DETAILED CONTINGENCY PLAN**.

DETAILED CONTINGENCY PLAN FOR CAMPUS-BASED PROGRAMS

This plan details the steps ED will take to ensure that schools are notified of their campus-based program allocations for the 2000-2001 award year in March 2000.

Business Owner (*This is the name of the business process owner with implementation authority.*)

Chief, Campus Based Financial Operations Branch
U.S. Department of Education
ROB-3, Room 4714
7th & D Streets, SW
Washington, DC 20202

- I. Prerequisites** (*Activities that need to be completed on or before December 31, 1999, to implement the contingency plan.*)

1. Before July 1, 1999, the Business Owner will draft letters and other correspondence to schools informing them of the Campus-based program contingency plan and of any actions the schools may need to take if they cannot provide corrections to their FISAP data. This correspondence will include phone numbers and e-mail addresses of the campus-based staff in the Institutional Services Branch, and other customer service units, that schools may need contact to obtain further information or to inform ED of school system failures.
2. By August 31, 1999, the Business Resumption Team will prepare and test the 2000-2001 campus-based award calculations.
3. The Business Resumption Team will conduct "waiver" panels (under-utilization and institutional share) in early October 1999.
4. By October 18, 1999, the Business Resumption Team will call schools with unusual data fields and request corrections of the FISAP data submitted by those schools.
5. On November 6, 1999, the Business Resumption Team will issue Edit I criteria (e.g., the first round of FISAP edits) to schools and prepare management reports of FISAP data analysis immediately upon receipt of those edits.
6. Before December 30, 1999, the Business Resumption Team will calculate the tentative campus-based allocation amounts based on the first round of FISAP edits and store those calculations.
7. Prior to December 30, 1999, ED will provide cell phones to the Business Owner, Financial Operations Branch, and Financial Management Specialist.

II. Zero-Day Strategy *(In some instances it may be possible to minimize the risk of failure. The zero day strategy provides for risk reduction activities such as shutting down non-essential dependent processes to protect the critical process.)*

Detailed information about the Day-One Plan and Zero-Day Strategy for the Campus-based system is maintained by Program System Services (PSS) as part of their Y2K preparation.

III. Trigger Criteria *(The criteria define the instance of failure, time required to initiate the contingency plan, and the time required to conduct other trigger activities.)*

Trigger *(A trigger is an event or chain of events that signals the need to implement the contingency plan.)*

The campus-based system fails or schools cannot process and transmit corrections under the second round of FISAP edits.

System Monitoring *(Ongoing systems review process.)*

The Campus-based system contractor, Universal Automation Labs (UAL), is responsible for monitoring school transmissions of FISAP data.

School system failures relating to reporting data corrections under the second round of edits will be identified when the schools call the Institutional Services Branch, IFMD at (202) 708-7741, the Gateway Customer Service at 1-800-615-1189, or the PIC at 1-800-433-7327.

UAL will provide statistical reporting data that the Business Resumption Team will monitor daily to ascertain if the normally anticipated numbers of schools are not submitting FISAP edit corrections.

Response Procedure *(Procedures for notifying responsible parties of system failures.)*

The Electronic FISAP Administrator (UAL) will alert the Director of the Campus-Based Systems Division of any system failures. The Director of the Campus-based Systems Division will alert the Business Owner if UAL monitoring detects system failures.

Campus-Based Systems staff is responsible for analyzing system failures and assuring that appropriate repairs are performed by ED staff and the contractor.

For school failures, the Institutional Services Branch will provide program assistance and where necessary, forward transmission errors and software technical support problems to ED Customer Support staff and the Gateway staff.

Event Monitoring *(Parties responsible for overseeing system repairs.)*

The Director of the Campus-based Systems Division is responsible for monitoring the status of systems repairs and for reporting that status to the Business Owner on a daily basis.

Failure Tolerance Threshold *(The time ED will allow for system repairs to be completed before implementing the contingency plan.)*

The Business Resumption Team will attempt to obtain corrected FISAP data from schools experiencing Y2K failures (e.g., the Team will accept faxed corrections) and complete any required repairs to the Campus-based system by March 1, 2000.

Implementation Timeframe *(The time it will take to implement the contingency plan.)*

This contingency plan can be implemented in one day.

Go No-Go Decision Point *(The last day by which the Business Owner must decide whether to proceed with the plan so that it can be implemented on the next day after the Failure Tolerance Threshold).*

If the Business Resumption Team does not obtain corrected FISAP data from schools or ED does not complete repairs on the Campus-based system by March 2, 2000, the Business Owner direct the Team to use the campus-based authorization amounts prepared in December 1999 to fund schools.

Notification Procedures *(The actions ED will take to inform customers and partners of the system failure and the contingency plan requirements.)*

The Business Owner will notify ED Customer Service on the day the contingency plan is implemented. ED Customer Service will notify schools.

IV. Business Resumption Team *(Identify and list the roles and responsibilities of team members.)*

Business Owner
U.S. Department of Education
ROB-3, Room 4714
7th and D Streets, SW
Washington, DC 20202

Responsible for managing the overall activities associated with implementing the contingency plan and has the authority to commit ED resources.

Financial Management Specialist
Campus Based Financial Operations Branch
U.S. Department of Education
ROB-3, Room 4714
7th and D Streets, SW
Washington, DC 20202

Responsible for monitoring the progress of system repairs.

Financial Management Specialist
Campus Based Financial Operations Branch
U.S. Department of Education
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Responsible for monitoring the progress of system repairs.

Director, Institutional Financial Management Division
U.S. Department of Education
ROB-3, Room 4714
7th and D Streets, SW
Washington, DC 20202

Serve as a liaison between PSS, UAL, and OCFO in carrying out and monitoring the activities under the plan.

Director, Campus-based Systems Division
U.S. Department of Education
ROB-3, Room 4714
7th and D Streets, SW
Washington, DC 20202

Responsible for monitoring the Campus-Based System on a daily basis, providing statistical reporting data, notifying the Business Owner of any system failures, and authorizing system repairs.

Electronic FISAP Administrator
Universal Automation Labs (UAL), Contractor
8300 Colesville Road
Suite 500
Silver Spring, Maryland 20910

Responsible for monitoring school transmissions of FISAP data, providing statistical reports about those transmissions, and alerting the Business Owner of anomalies that may indicate that schools are experiencing difficulties.

V. Sequence of Required Activities *(The activities that the Business Resumption Team will carry out in support of the contingency plan and after the Business Owner decides to implement the contingency plan.)*

1. No later than January 15, 2000, the Business Owner will prepare and submit to ED Customer Service for dissemination, letters to schools informing them of their preliminary campus-based authorization amounts. The letters will remind schools that these amounts will become their final authorizations if ED systems fail.
2. During January and February 2000, the Business Resumption Team will work with schools experiencing Y2K related problems and arrange for those schools to provide corrected FISAP data by fax or other means.

3. If the Business Owner decides to implement the contingency plan (because of a campus-based system failure or because the Business Resumption Team was unable to obtain corrected FISAP data from schools) the previously prepared authorization file (e.g., the tentative campus-based program allocations calculated in December 1999) will be submitted to GAPS on March 3, 2000, to fund schools for the 2000-2001 award year.
4. The Business Owner will notify customer service that the plan has been implemented and customer service will notify schools.

VI. Testing Plan *(The activities ED will carry out before December 31, 1999, to test the contingency plan.)*

Testing is not required because the campus-based program calculations and resulting allocation file will have been performed and saved in December 1999.

Business Process II C

Student Aid Origination and Disbursement Direct Loan

SUMMARY: In Direct Loan origination, an Option 2 school estimates and requests funds directly from ED (GAPS) to make disbursements to eligible students and parents. An Option 1 and Standard Option school must first submit origination records to ED (the Loan Origination Center). Based on those records, ED (the Loan Origination Center) determines the amount of funds the school needs and initiates a draw of funds on behalf of the school.

In Direct Consolidation Loan origination, the Loan Consolidation Center (LCC) reviews a borrower's application to consolidate his or her loans and then sends paper or electronic verification certificates to each loan holder identified by the borrower in the application. The loan holder completes the certificate by providing the pay-off amount, interest rate, and other information about each loan that it holds for the borrower. After the LCC receives all the certificates, the LCC determines which loans are eligible for consolidation and informs the borrower of its intent to consolidate the loans. The LCC then pays off the holders and originates a consolidated loan.

BUSINESS PROCESS DESCRIPTION

Direct Subsidized Loan and Direct Unsubsidized Loan

1. School packages student aid.

2. School generates loan origination records using software developed by ED, by the school or by a third party vendor. Origination records include individual student information and loan amounts.
3. The school sends origination records to the Loan Origination Center (LOC).
4. LOC or the school sends disclosure statement to borrower.
5. The LOC sends school acknowledgement of accepted or rejected origination records.
6. The Loan Origination Center prints and distributes promissory notes for a Standard Option school. An Option 1 or Option 2 school can print its own promissory notes or have the Loan Origination Center print and distribute them.
7. Student signs a promissory note and returns it to the LOC (if the school is Standard option) or directly to the school (if Option 1 or 2).
8. An Option 1 and Option 2 school sends promissory notes to LOC with paper manifests.
9. LOC sends acknowledgement to school of promissory note acceptance or rejection.
10. Option 2 school determines the amount of funds it needs to make immediate disbursements to students and draws down that amount from ED (GAPS).
11. For an Option 1 or Standard school, the LOC initiates a funding request based on the anticipated disbursement dates and amounts provided by the school in the loan origination records. The LOC sends the school a disbursement roster. The LOC initiates this request for funds four days before the anticipated disbursement date.
12. Prior to disbursing loan funds, a school must verify borrower eligibility and verify that required entrance loan counseling has been done.
13. The school disburses funds by way of cash, EFT to the student's bank account, check, or credit to the student's school account.
14. School transmits disbursement records, including adjustments to the LOC as soon as possible but no later than 30 days after the date of disbursement or adjustment.
15. LOC sends acknowledgement to school of acceptance or rejection of disbursement records.

16. LOC transmits data booking the loan to the Central Data Routing System (CDS) for transmission to Direct Loan Servicing Center.
17. The LOC initiates a monthly cash reconciliation process by sending the Direct Loan School Account Statement (DLSAS) to the school. School reviews and compares each DLSAS to its internal records.

Direct PLUS Loan Origination Process differs from Direct Subsidized Loan and Direct Unsubsidized Loan processing only in the following ways:

1. The parent borrower and student complete the combined PLUS Loan Application and Promissory note. Only the parent signs the PLUS promissory note.
2. The Loan Origination (LOC) requests a credit decision from a credit bureau for the parent borrower. The credit bureau returns an accepted or denied credit acknowledgement to the LOC.
3. If an applicant does not have an adverse credit history the Direct Loan Origination Center returns the credit acknowledgement for the parent borrower to the school.
4. If the parent borrower receives a denied credit decision, the LOC mails a denial letter to the borrower along with an endorser addendum so that the borrower can either appeal or obtain an endorser.

Direct PLUS Consolidation Loan Process

1. Borrower accesses DCL application on the Web, completes it on the WEB, or obtains a paper DCL Application/Promissory Note from the Loan Consolidation Center. (LCC completes it and sends it by mail to the LCC.)
2. LCC receives and begins processing paper or electronic application.
3. LCC reviews applications for completeness, images paper applications, and enters applicant data on the LOS system.
4. LCC may request additional information from a borrower to obtain missing data or resolve inconsistencies. (This step is referred to as “exam entry”.)
5. For Direct PLUS Consolidation, the LCC requests a credit report.
6. If an applicant has an adverse credit history, the Loan Consolidation Center notifies the applicant of the credit report results and provides the borrower with the opportunity to appeal or obtain an endorser.

7. LOC creates and sends paper or electronic verification certificates to each loan holder identified by the borrower in the application. The loan holder completes the certificate by providing the pay-off amount, interest rate, and other information about each loan it holds for the borrower, and verifies that the loans are Federal loans (i.e., that it is a loan that can be consolidated under this process).
8. Loan holders return the verification certificates to the LCC.
9. After the LCC receives all the certificates, it notifies the borrower of the certified loans and informs the borrower that it will proceed to consolidate the loans if he or she does not contact the LCC in 10 days.
10. After 10 days, the LCC pays off each loan (“funds”) and books (“originates”) the consolidated loan: payoffs for loans held by guarantee agencies, ED’s Debt Collection Service and defaulted loans held by Health and Human Services are by the completion of Form SF 1081 (and funding through Treasury); payoffs to the Direct Loan Servicing Center are electronic; payoffs to private lenders and schools (for Perkins, Health Professions, and Nursing loans) are by check.
11. LCC transfers the consolidated loan data via the Central Data System to the Direct Loan Servicing Center.

BUSINESS PROCESS CONTINUITY AND CONTINGENCY PLANS FOR DIRECT LOANS

PLAN A

Potential Failure: The Direct Loan Origination Center (LOC) cannot receive or process origination records because either the LOC or the participating school has had a failure and cannot initiate a request for funds under Standard or Option 1 origination requirements beginning January 3, 2000.

Mitigation Plan: In fall 1999, ED will notify schools that:

1. ED encourages Standard and Option 1 schools to submit loan origination and disbursement records and promissory notes to the LOC for 1999-2000 to the LOC by mid-December 1999.
2. ED encourages Option 1 schools, which print their own promissory notes, to have an adequate supply on hand and to so do prior to January 1, 2000.
3. ED encourages schools to remind borrowers to sign and return 1999-2000 promissory notes prior to the end of December 1999.

Contingency Plan: In the event the LOC is unable to initiate a funding request for a Standard or Option I origination school, ED, through the Accounting and Financial Management Service (AFMS), will initiate a funding request to GAPS based on the school's request as validated by its historical funding pattern. The contingency plan is divided into two processes that complement each other:

1. Manual processes, developed and documented by AFMS, will be used to receive draw down request from schools, actually draw down the funds from GAPS, and submit records of the draw downs to the LOC.
2. Automated processes to set a flag in the Loan Origination System in order to allow ED to track funds drawn through GAPS by AFMS staff on behalf of the LOC. The flag must be set to prevent a duplicate draw down from occurring when valid loan origination and disbursement records are accepted by the LOC for schools who previously received funds.

Assumptions:

1. The LOC may or may not have received and accepted the loan origination and disbursement records prior to implementation of this plan.
2. A valid promissory note is either accepted by the LOC or the school has obtained a signed note from the borrower prior to disbursement of funds. Processing will be done even if the promissory note has not been received at the LOC.
3. ED will not accept individual borrower origination or disbursement records on paper; schools will maintain all pertinent information until ED has determined that the LO System is repaired.
4. GAPS functions satisfactorily.
5. ED would not enforce the normal reporting requirements for schools before increasing authorization levels during the month of January 2000. Schools would have an additional 30 days to transmit their records to ED. 668.83(a)

For more information, see **DETAILED CONTINGENCY PLAN A.**

PLAN B

Potential Failure: The Direct Loan Origination Center cannot request or receive credit reports for Direct PLUS borrowers after January 3, 2000.

Mitigation Plan: In fall 1999, ED will notify schools that:

1. ED encourages schools to submit loan origination records and Direct PLUS Application/Promissory notes to the LOC as early as possible in December 1999.
2. ED encourages schools to encourage potential PLUS borrowers to apply early for Direct PLUS loans.
3. ED encourages Direct PLUS Consolidation applicants to file before January 1, 2000.

Contingency Plan: In the event the LOC cannot request or receive credit reports from its contracted source, EDS will obtain credit reports from a second source. If that second source fails, the LOC will temporarily process Direct PLUS applications without obtaining credit reports.

Assumptions:

1. The loan origination system (LOS) is operational, except the loan origination center (LOC) cannot request/receive a credit report from the credit bureau.
2. A PLUS loan origination record has been received by the LOC and the school is awaiting an acknowledgement of the record, with a credit decision, or a Direct PLUS Consolidation application has been received and is pending a credit decision order to disburse funds.
3. For a Direct PLUS origination, a promissory note is on file at the LOC.
4. During the contingency period, ED would allow PLUS disbursements to be made without determining whether a parent had an adverse credit history. 428B(a) of the HEA and 682.201(b)(1)(vii) for FFEL; 685.200(b)(1)(vii) for Direct Loans; and 685.215(d)(1)(v) for Direct PLUS Consolidations Loans.

For more information, see the **DETAILED CONTINGENCY PLAN B**.

DETAILED CONTINGENCY PLAN A

This plan details the steps ED will take in the event that the LOC cannot initiate a request for funds on behalf of schools participating in Direct Loans under Standard and Option 1 origination requirements beginning January 3, 2000.

Business Owner (*This is the name of the business process owner with implementation authority.*)

Director, Student Aid Origination
U.S. Department of Education
ROB-3, Room 4621
7th and D Streets, SW
Washington, DC 20202

(Note: This plan requires coordination with AFMS staff members and contracting staff who are making school requests through GAPS.)

Director, Accounting and Financial Management Service
U. S. Department of Education
ROB-3, Room 4624
7th and D Streets, SW
Washington, DC 20202

- I. Prerequisites** (*Activities that need to be completed on or before December 31, 1999, to implement the contingency plan.*)

1. ED (PSS) will initiate a contract vehicle to develop and test a subroutine in LOC that will prevent a duplicate draw down in June 1999.
2. ED (AFMS) will initiate a contract vehicle to provide for sufficient staffing to support to implementation of the AFMS portion of the contingency plan in July 1999.
3. AFMS will establish a process for determining the amount of the drawdowns for Standard Option and Option 1 schools by September 30, 1999. (Historical data on past draws for the month of January will have been established as a baseline for reasonableness.)
4. ED will establish a process for routing draw down requests to the appropriate staff person by August 1999. ED will establish a central location for handling requests and communicate necessary contact information to schools by September 1999.
5. ED will purchase any equipment or supplies needed to support this contingency in fall 1999.
6. ED will send a notice to all schools and posting to OSFA's Web site in fall 1999 to:
 - encourage schools to remind borrowers to sign and return 1999-2000 promissory notes prior to the end of December 1999.
 - encourage Standard and Option 1 schools to submit loan origination and disbursement records and promissory notes to the LOC for 1999-2000 to the LOC by mid-December 1999;
 - encourage Option 1 schools, that print their own promissory notes, to have an adequate supply on hand and to do so prior to January 1, 2000 and
 - advise Standard and Option 1 schools of the contingency plan and of any actions that schools need to take under the plan including a document layout required to make a funding request
7. Emergency procedures will be established and documented by AFMS by fall 1999.
8. Prior to testing of the plan in fall, 1999 AFMS will obtain access to GAPS for its contractor staff.
9. ED will confirm the schools that may be potentially impacted by mid-December 1999. (There are currently 638 schools. This listing will be refreshed monthly.)
10. AFMS will capture historical funding data for the latest list of Standard and Option 1 schools on CD-ROM by December 15 to support this process and expedite school requests.
11. An Anticipated Disbursement Roster will be obtained from the Loan Origination Center in December 1999 and will contain all actual rosters for the period 1/3/2000 through 1/17/00). This will assist staff in identifying the individual records Standard and Option 1 schools are anticipating funding in the period of potential Y2K failure.

II. Zero-Day Strategy *(In some instances it may be possible to minimize the risk of failure. The zero day strategy provides for risk reduction activities*

such as shutting down non-essential dependent processes to protect the critical process.)

OSFA's Student Aid Origination Team maintains detailed information about the Day One Plan and Zero Day Strategy, Program System Services (PSS) as part of their Y2K preparation.

III. Trigger Criteria *(The criteria define the instance of failure, time required to implement the contingency plan, and the time required to conduct other trigger activities.)*

Trigger *(A trigger is an event or chain of events that signals the need to implement the contingency plan.)*

The LOC is unable to request funds for a Standard or Level I originating school on January 3, 2000.

System Monitoring *(Ongoing systems review process.)*

The contractor and ED perform system monitoring on a daily basis. ED participates in a conference call every day to ascertain the status of the system. The independent quality control unit (IQCUC) works with the LOC contractor to ensure that data and outputs are correct. The IQCUC contractor reports to ED regularly on the status of the system.

Key Contacts:

On site monitor at ED Production Ballston, VA

On site monitor for ED in Montgomery, AL

AFMS staff

Response Procedure *(Procedures for notifying responsible parties of systems failures.)*

EDS Production Support Manager in Montgomery, AL, will notify on site monitor for ED in Montgomery, AL, and the on site monitor at ED Production Ballston, VA.

The on-site monitor at ED Production, Ballston, VA will notify the following individuals:

1. Team Lead SAOT.
2. Director of Student Aid Origination.
3. Contracting Officer and Technical Representative (COTR).

4. Director of PSS.

AFMS staff will notify the following individuals:

1. Director of Accounting and Financial Management Service.
2. Director Loans Financial Management Division.
3. Acting Director of Direct Loan Task Force.
4. Office of the Chief Financial Officer, [TBD].
5. Director, Client Account Managers.

Event Monitoring *(Parties responsible for overseeing system repairs.)*

The contractor and ED perform system monitoring on a daily basis. ED participates in a conference call every day to ascertain the status of the system. The independent quality control unit (IQCUC) works with the LOC contractor to ensure that data and outputs are correct. The IQCUC contractor reports to ED regularly on the status of the system.

IQCUC contractor PricewaterhouseCoopers provides a weekly status report. Upon a change in status, IQCUC will notify the persons identified in the response procedure.

Key Contacts:

Quality Control Monitor, PricewaterhouseCoopers, IQCUC Manager

On site monitor at ED Production Ballston, VA

On site monitor for ED in Montgomery, AL

AFMS staff

Failure Tolerance Threshold *(The time ED will allow for system repairs to be completed before implementing the contingency plan.)*

The failure tolerance threshold for this process is three business days.

Implementation Timeframe *(The time it will take to implement the contingency plan.)*

The implementation timeframe for this process is three business days consisting of the following activities:

1. Notification to schools that a failure has occurred (one day)
2. Schools transmit documents requesting funds to AFMS (one day)
3. AFMS processes funding request manually (one day)

4. Schools will receive funds within three business days (Normal Service Level).

Go No-Go Decision Point *(The last day by which the Business Owner must decide whether to proceed with the plan so that it can be implemented on the next after the Failure tolerance Threshold.)*

PSS and AFMS business owners will initiate the contingency immediately upon receiving a notification of a failure, which could be as early as January 3, 2000.

Notification procedures *(The actions ED will take to inform customers and partners of the system failure and the contingency plan requirements.)*

Acting Director, Direct Loan Task Force, will write an emergency DL Bulletin and will send it to all potentially affected schools immediately upon receiving notification that a failure has occurred.

Notification will occur by posting the DL Bulletin to the list server (FinAid, MedLoan & DirLoan), by utilizing Fast Fax, and by posting information to IFAP.

Acting Director, Direct Loan Task Force, will approve a script for customer service personnel that outlines procedures for schools to use in an emergency situation.

This script will be provided to:

ED's Director of Client Account Managers.
ED's Director, Training and Program Information Division, and
EDS Production Support Manager, Montgomery, AL

IV. Business Resumption Team *(Identify and list the roles and responsibilities of team members.)*

PSS

Director, Student Aid Origination

Manage the overall activities associated with implementing the contingency and authorizing the initiation of the contingency plan.

Team Leader, Student Aid Origination Team

Provide assistance to Business Owner in managing the activities required to implement the contingency.

Security Officer, Student Aid Origination Team, Program Systems Service

Monitor overall activities to ensure that proper levels of security and access are being enforced.

On site monitor at ED Production in Ballston, VA

Monitor production activities and notify ED personnel in case of a failure.

On site monitor for ED in Montgomery, AL

Monitor production activities and notify ED personnel in case of a failure.

AFMS

Director Accounting and Financial Management Service

Manage the financial resources associated with implementing the contingency.

Director , Loans Financial Management Division, AFMS

Lead in implementing the AFMS portion of the contingency plan

Acting Direct Loan Branch Chief

Direct Loan Operations Team Lead

Financial Management Specialists (7)

Contractors (# to be determined by scope of the failure)

Analyze school requests and makes school draw down requests through GAPS.

Assist contractor staff in implementing the contingency.

EDS

EDS Production Support Manager, Montgomery, AL

Monitors production activities and identifies occurrence of a failure for ED's Direct Loan Origination Center.

V. Sequence of Required Activities *(The activities that the Business Resumption Team will carry out after the Business Owner decides to implement the contingency plan.)*

1. Notify external parties, affected schools, customer service, and IPOS reimbursement specialists that the contingency is in effect January 3, 1999, or as soon as notified by affected schools.

2. Schools will be directed to send data, if possible, that will be stored on Title IV WAN for later forwarding to the LO system when the LOC is able to receive the information.
3. If an individual school fails, it will be required to capture what it would have normally sent for transmission to ED at a later date when the school system becomes operational. ED will not accept individual borrower records on paper.
4. Institutions will request an amount for a date range on school letterhead. These will be faxed directly to AFMS beginning January 4 according to instructions provided in the Dear Colleague letter or DL Bulletin provided to schools in fall 1999.
5. AFMS will receive funding requests from schools beginning January 4.
6. AFMS staff or its contractors will perform an analysis of the requests January 4-7.
7. This analysis will include a check for reimbursement status and for existence of a stop pay order.
8. AFMS will validate the reasonableness of the request by checking the request against historical information in GAPS January 4-7.
9. Direct Loan Branch Chief will approve or deny the request or delegate this authority within a day of the school's request.
10. AFMS through its contract staff will make the funding request through payment maintenance screens within GAPS January 4-7 or within one to three business day of being received by the school.
11. AFMS contract staff will record in a data base application information regarding each request that is received. The following information will be captured: institutional name, date of request, date range, the amount requested by school and amount approved in GAPS by AFMS.
12. AFMS will prepare reports to Senior ED management showing the schools seeking assistance on a weekly basis until the failure is fixed.
13. After the failure is fixed, the LO system will process all data records stored in school mailboxes on the Title IV WAN.
14. After the failure is fixed, the LO will verify the specific date ranges and amounts for students funded through ADRs and faxes from schools so as to prevent duplicate disbursements.
15. After the failure is fixed, schools will be notified that normal operations have been resumed.

VI. Testing Plan *(The activities ED will carry out before December 31, 1999, to test the contingency plan.)*

1. Test Objectives

To assure that Option 1 and Standard Option Direct Loan schools can receive funding increases in GAPS and obtain draw downs of funds without submitting origination and disbursement records. The contractor and ED will test the LOS to determine that the system accurately tracks all draw down transactions

performed by AFMS on behalf of the LOC. The contractor and ED will test that the LOS will accept loan origination records, which normally activate a draw down request, from schools that have received funds prior to submitting the records. The contractor and ED will ensure that the LOS does not generate a duplicate draw down request for funds after accepting the loan origination records.

2. Test Approach

Test data will be developed by the contractor to simulate loan origination records being received and accepted by the LOS from schools that have received funds prior to submitting the records.

AFMS currently has procedures in place to facilitate a manual request for funds from Option 1 and Standard Option schools. This process is subject to repeated use and periodic modification. No specialized testing requirements are required to establish the effectiveness of this process. However, contractor staff will be trained to perform the manual request through GAPS.

To test the overall effectiveness of the contingency plan, resources from several areas will be required. As part of the test, ED will coordinate a mock failure of LOC and involve resources from the LOC, PSS, AFMS, and its contractor staff.

By September 30, 1999, ED will initiate the steps described in this contingency to determine the ability of the various resources to communicate and to coordinate responses.

3. Required Resources

For the manual part of this test, a high-speed fax machine identified in prerequisites will need to be installed and operational.

4. Personnel

PSS

Team Leader, Student Aid Origination Team

Computer Specialist

On site monitor at ED Production in Ballston, VA

On site monitor for ED in Montgomery, AL

AFMS

Direct Loan Operation Team Lead

AFMS Contractor staff (4)

Data Entry Supervisor

Data Entry Staff

EDS

Production Manager EDS Montgomery, AL

5. Schedules and Locations

AFMS Procedures: July 1999, ROB-3, 7th & D Sts. AFMS Offices

LOS System: September 1999, EDS offices, Ballston, VA

6. Test Procedures

LOS System

EDS will prepare a test plan and execute the test of the new functionality. The contractor and ED will test the LOS to determine that the system accurately tracks all draw down transactions performed by AFMS on behalf of the LOC. EDS and ED will test that the LOS will accept loan origination and disbursement records, which normally activate a draw down request, from schools that have received funds prior to submitting the records. The contractor and ED will ensure that the LOS does not generate a duplicate draw down request for funds after accepting the loan origination and disbursement records.

Test data will be developed by the contractor to simulate loan origination and disbursement records being received and accepted by the LOS from schools that have received funds prior to submitting the records.

For the manual part of this test (the AFMS activity)

The AFMS contractors, under the direction of AFMS staff, will be instructed to the type of problems they are to experience. They will be shown what is needed from schools in order to process the schools request. The contractors will be shown how to navigate through GAPS in order to check school accounts and to process the payments. The contractors will be shown the procedures to update the Access database, which will store all processed payments

7. Expected Results

Schools receive additional funding in GAPS; this funding will not result in a duplicate draw of funds when the LOS is functional.

8. Exit Criteria

Exit test when GAPS properly reflects the adjustment to a school's funding and the LOS has set a flag to prevent duplicate drawdown of funds.

DETAILED CONTINGENCY PLAN B

This plan details the steps ED will take in the event that Direct Loan or Direct Loan Consolidation cannot receive or process credit reports for PLUS loan borrowers.

Business Owner *(This is the name of the business process owner with implementation authority.)*

Director, Student Aid Origination
U.S. Department of Education
ROB-3, Room 4621
7th and D Streets, SW
Washington, DC 20202

Team Leader, Direct Consolidation Loan Team, Direct Loan Task Force
U. S. Department of Education
ROB-3, Room 5626
7th and D Streets, SW
Washington, DC 20202-5404

In consultation with EDS, its vendor for Direct Consolidation Loan processing:

EDS Loan Origination Center (LOC) Production Support Manager, Montgomery, AL

Account Manager, LoanConsolidation Center, EDS

I. Prerequisites *(Activities that need to be completed on or before December 31, 1999, to implement the contingency plan.)*

1. ED/Direct Loan program and the EDS LOC/LCC staff will obtain access to current EDS operating procedures that govern system backups and inventory control in order to monitor event by mid-December 1999.
2. ED/Direct Loan program and the EDS LOC and LCC staff will obtain access to current manual procedures that define system and user processes and procedures in order to monitor event by mid-December 1999.
3. ED will initiate a contract vehicle to EDS to allow PLUS activity to continue without credit checks; set an appropriate flag to identify PLUS borrowers processed without credit checks, and issue appropriate letters. ED will ensure that the contingency is fully developed and successfully tested by September 30, 1999.
4. EDS (the Direct Loan contractor) will establish a process to approve Direct PLUS loans without obtaining a credit report by fall 1999.
5. EDS will prepare a letter that LOS will use to inform borrowers that a credit check was not performed as part of Direct PLUS processing. The letter will

be drafted by the EDS for the LOC and the LCC and approved by the Business Owners by fall 1999.

6. As part of the Task Order to EDS, which will be completed by September 1999, a mechanism will be established by the LOC to track and report to ED borrowers that did not have credit checks performed. An automated procedure will be implemented to track PLUS loan origination records (LORs) acknowledged with an “approved credit” status, although no credit check has been performed on the record.
7. In the event that the contingency plan is implemented, ED will not apply the requirements under §685.200(b) with respect to making an evaluation of a parent's credit history.

II. Zero-Day Strategy *(In some instances it may be possible to minimize the risk of failure. The zero day strategy provides for risk reduction activities such as shutting down non-essential dependent processes to protect the critical process.)*

OSFA's Student Aid Origination Team maintains detailed information about the Day One Plan and Zero Day Strategy, Program System Services (PSS) as part of their Y2K preparation.

III. Trigger Criteria *(The criteria define the instance of failure, time required to initiate the contingency plan, and the time required to conduct other trigger activities.)*

Trigger *(A trigger is an event or chain of events that signals the need to implement the contingency plan.)*

The LOC and or the LCC are unable to request or receive credit reports for PLUSloan borrowers for three consecutive days.

System Monitoring *(Ongoing systems review process.)*

ED monitors system performance daily through cycle and production reports that are distributed and discussed in a daily 9:00 a.m. conference call. This daily review will provide for early identification of issues that may interrupt business operations if not resolved on a timely basis.

The independent quality control unit (IQCUC) works with the Direct Loan contractor to ensure that data and outputs are correct. The IQCUC contractor reports to ED regularly on the status of the system.

Key Contacts:

On site monitor at ED Production in Ballston, VA

On site monitor for ED in Montgomery, AL

ED LC Systems Team Lead, Washington, DC

ED Production Ballston, VA

ED LCC On-Site Monitor, Louisville, KY

ED LC Operations Liaison, Montgomery, AL

EDS LC Production Support Manager, Louisville, KY

Response Procedure *(Procedures for notifying responsible parties of system failures.)*

a) For LO PLUS credit check failure, EDS Production Support: Manager in Montgomery, AL, will notify on site monitor for ED in Montgomery, AL, and the on site monitor at ED Production Ballston, VA.

The on-site monitor at ED Production, Ballston, VA will notify the following individuals:

1. Director of Student Aid Origination
2. Team Lead SAOT
3. Contracting Officer and Technical Representative (COTR)
4. Acting Director of Direct Loan Task Force

b) For Direct Consolidation Loan PLUS credit check failures: EDS LC Production Support Manager in Louisville KY, will notify EDS LCC Account Manager Loan Origination Center Consolidation Operations ED LC On-Site Monitor, Louisville, KY, and the ED LC Systems Team Lead, Washington, DC.

ED LC Systems Team Lead will notify:

1. ED LC Team Lead
2. Contracting Officer and Technical Representative (COTR) for LC
3. ED Acting Director of Direct Loan Task Force

Event Monitoring *(Parties responsible for overseeing system repairs.)*

Independent Quality Control Unit (IQC) personnel will work with ED and EDS staff to continually monitor progress toward issue resolution, including a walk-through of all issue identification and resolution discussions. They will validate resolution of any failure and

simultaneously report to ED and EDS the status of the resolution. IQCU will confirm that the contingency is no longer needed when the LOC and the LCC are able to receive credit report which properly reflect borrower credit history.

Key Contact:

Quality Control Manager
PricewaterhouseCoopers, Montgomery, AL

On site monitor at ED Production Ballston, VA

ED LO On site monitor, Montgomery, AL

ED LCC On-Site Monitor, Louisville, KY

Failure Tolerance Threshold (*The time ED will allow for system repairs to be completed before implementing the contingency plan.*)

The failure tolerance threshold is 8 days: If, after three consecutive days, PLUS credit checks are not available from the LOC's and the LCC's current provider, another provider will be contacted. If credit reports are still not available after three days, the contingency will be implemented.

Implementation Timeframe (*The time it will take to implement the contingency plan.*)

One business day following the determination of failure of the second credit report provider.

Go No-Go Decision Point (*The last day by which the Business Owner must decide whether to proceed with the plan so that it can be implemented on the next day after the Failure Tolerance Threshold.*)

ED and EDS will evaluate the extent of the impact, and ED will implement this contingency beginning the first business day after being notified that the second credit report provider has failed.

Notification Procedures (*The actions ED will take to inform customers and partners of the system failure and the contingency plan requirements.*)

a) If there is an LO failure, the Director of Student Aid Origination, in consultation with the Direct Loans Policy Development Division, will draft a Customer Service Bulletin to be posted to the ED's Web page, IFAP and the appropriate customer list serves to inform the community that the

contingency has been implemented. She will also approve VRU messages that are written by LOC staff.

b) If there is an LC failure, ED's Loan Consolidation Team Lead in consultation with the Direct Loans Policy Group, Policy Development Division will draft a Customer Service Bulletin to be posted to the ED's Web page, IFAP and the appropriate customer list serves to inform the community that the contingency has been implemented. She will also approve VRU messages that are written by LCC staff.

IV. Business Resumption Team *(Identify and list roles and responsibilities of the persons involved in implementing the contingency plan.)*

Direct PLUS Origination

Director, Student Aid Origination

Manage the overall activities associated with implementing the contingency and authorizing the initiation of the

Team Leader, Student Aid Origination Team

Provide assistance to Business Owner in managing the activities required to implement the contingency.

On site monitor at ED Production in Ballston, VA

Monitor production activities and notify ED personnel in case of a failure.

On site monitor for ED in Montgomery, AL

Monitor production activities and notify ED personnel in case of a failure.

Direct PLUS Consolidation

Business Owner, ED Direct Consolidation Loan Team Lead

Manage the overall activities of ED staff with respect to the Direct Consolidation Loan program and communicate to senior ED management through the Director of the Direct Loan Task Force

ED Direct Consolidation Loan Systems Team Lead

Responsible for system and production issues for ED.

On site monitor ED, Louisville, KY

Monitor contractor activity at the LCC, Louisville, KY.

On site ED Operations Liaison, Montgomery

Advise and assist the contractor on day-to-day issues at the Montgomery, AL, LCC site. Monitor customer service performance.

Direct PLUS and Direct PLUS Consolidation (LOC and LCC)

ED LO/LC COTR

Coordinate interactions with contractor according to contract requirements.

Security Officer, Student Aid Origination Team, Program Systems Service

Monitor overall activities to ensure that proper levels of security and access are being enforced.

V. Sequence of Required Activities *(The activities that the Business Resumption Team will carry out after the Business Owner decides to implement the contingency plan.)*

1. The Business Owners will initiate the contingency.
2. Between January 3 and January 11, 2000, the Director of Student Aid Origination and the ED LC Team Lead have the Customer Support Branch notify external parties and ED's Customer Support Branch that the contingency has been implemented.
3. The Director of Student Aid Origination and ED LC Team Lead will also approve appropriate scripts for the LOC's customer service staff.
4. EDS will implement the contingency plan according to ED's requirements on January 11.
5. Beginning January 11, the LOC will notify schools and borrowers that Direct PLUS loans were processed without current credit reports being available.
6. The LOC will immediately begins tracking borrowers for whom there is no credit check completed.
7. The LOC will provide ongoing MIS reports to ED on the borrowers processed without credit checks.
8. When notified that credit checks can again be performed, the contingency is no longer in effect and normal credit check processing will resume.

VI. Testing Plan *(The activities ED will carry out before December 31, 1999, to test the contingency plan.)*

1. Test Objectives

The contractor will prepare a test plan and execute the test of the new functionality. The contractor and ED will test the LOS to determine that the system can accept and acknowledge PLUS loan origination records (LORs) with an “approved credit” status, although no credit check has been performed on the record. The system will be tested to ensure that it can accurately track those records and send a letter of notification to the borrowers. The contractor and ED will also test that the LOS can later apply a credit decision to those records and generate MIS reports that detail the cost and possible impact to the Federal government for approving the loans without a credit check.

1. Testing will validate that Direct PLUS processing components are functional.
2. Testing will validate that Direct PLUS credit acknowledgments may resume with the indication of positive credit while at the same time tracking the applicants for whom no credit report was provided.
3. Testing will validate that correct output in the form of school acknowledgements and borrower letters is produced.

2. Test Approach

Direct PLUS Origination

Test data will be developed by the contractor to simulate PLUS LORs being submitted to the LOS by a school. The contractor will process the records and return acknowledgements back to the school with an “approved credit” decision for all records, as well as, flag the records, send letters to the borrowers and generate MIS reports.

Direct PLUS Consolidation

The contractor will process the records and return “approved credit” decision for all records, as well as, flag the records, send letters to the borrowers and generate MIS reports.

The approach to validating is that all system processes are functioning with respect to PLUS credit check indicators.

A walk through of the test plan will be conducted with IQCU and ED to ensure that all parties agree with the approach.

3. Required Resources

None

4. Personnel

The team responsible for performing the test of the contingency is:

On site monitor at ED Production in Ballston, VA

Team Leader, Student Aid Origination Team

Computer Specialist

ED LC Systems Team Lead

Testing staff assigned by EDS. (See Management Recovery Team, on page 4-41 of the Direct Loan Disaster Recovery Plan. This same team will be used to support testing.)

5. Schedules and Locations

The test will either be completed by Operations staff in Montgomery where the credit checks are currently initiated, and presented to the on-site monitor for sign-off, or completed by the testing team in Ballston and presented to ED staff at that location for sign-off in fall 1999.

6. Test Procedures

A walk through of the test plan and procedures will be conducted with IQCU and ED.

7. Expected Results and Exit Criteria

The test will be considered successful when the test objectives are met:

1. Testing will validate that Direct PLUS processing components are functional.
2. Testing will validate that Direct PLUS credit acknowledgements may resume with the indication of positive credit while at the same time tracking the applicants for whom no credit report was provided.
3. Testing will validate that correct output in the form of school acknowledgements and borrower letters is produced.

Business Process II D

Student Aid Origination and Disbursement Direct Consolidation Loan

SUMMARY: The LCC reviews a borrower's application to consolidate his or her loans and then sends paper or electronic verification certificates to each loan holder identified by the borrower in the application. The loan holder completes the certificate by providing the pay-off amount, interest rate, and other

information about each loan that it holds for the borrower. After the LCC receives all the certificates, the LCC determines which loans are eligible for consolidation and informs the borrower of its intent to consolidate the loans. The LCC then pays off the holders and originates a consolidated loan.

BUSINESS PROCESS GOAL: To payoff underlying Federal education loans in order to create a new consolidated loan which will enable a borrower manage total education debt.

BUSINESS PROCESS DESCRIPTION

DIRECT CONSOLIDATION LOAN (DCL) PROCESS

1. Borrower accesses DCL application on the Web, completes it on the WEB, or obtains a paper DCL Application/Promissory Note from the Loan Consolidation Center (LCC), completes it and sends it by mail to the LCC.
2. LCC receives and begins processing paper or electronic application.
3. LCC reviews applications for completeness, images paper applications, and enters applicant data on the LOS system.
4. LOC may request additional information from a borrower to obtain missing data or resolve inconsistencies. (This step is referred to as “exam entry”).
5. If the borrower requests an Income Contingent Repayment (ICR) option, the LCC sends a request electronically to the IRS through the interface with the Direct Loan Central Data System (CDS) to validate the borrower’s consent to disclose income information (also referred to as the “IRS waiver”).
6. For Direct PLUS Consolidation, the LCC requests a credit report; If an applicant has an adverse credit history, the Loan Consolidation Center notifies the applicant of the credit report results and provides the borrower with the opportunity to appeal or obtain an endorser
7. The LCC creates and sends paper or electronic verification certificates to each loan holder identified by the borrower in the application. The loan holder completes the certificate by providing the pay-off amount, interest rate, and other information about each loan it holds for the borrower, and verifies that the loans are Federal loans (i.e., that it is a loan that can be consolidated under this process).
8. Loan holders return the verification certificates to the LCC.

9. After the LCC receives all the certificates, the borrower is notified of the certified loans and is notified that the LCC will proceed to consolidate the listed loans unless the LCC is contacted within 10 days.
10. After 10 days, the LCC pays off each loan (“funds”) and books (“originates”) the consolidated loan. Payoffs for loans held by guarantee agencies, ED’s Debt Collection Service and defaulted loans held by Health and Human Services are by the completion of Form SF 1081 (and funding through Treasury); payoffs to the Direct Loan Servicing Center are electronic; payoffs to private lenders and schools (for Perkins, Health Professions and Nursing loans) are by check.
11. The LCC transfers the consolidated loan data via Central Data System to the Direct Loan Servicing Center.

BUSINESS PROCESS CONTINUITY AND CONTINGENCY PLANS FOR DIRECT CONSOLIDATION LOANS

PLAN A

Potential Failure:

The Direct Loan Consolidation Center cannot perform normal processing of paper Direct Consolidation Loan applications.

Mitigation Plan: In fall 1999, ED will notify schools that:

1. ED encourages borrowers to apply for Direct Consolidation Loans using the Web-based application.
2. ED encourages borrowers using paper Direct Consolidation applications to apply by December 15, 1999.

Contingency Plan: The Loan Consolidation Center (LCC) will implement procedures to manually process paper applications. These manual procedures include photocopying original paper applications in order to protect them and using the photocopies to review the data elements of the application for completeness. Follow up to the applicant would be from off-the-shelf letters, rather than by system-generated letters as is normal practice.

Assumptions: The contingency plan assumes that Internet transmissions, mail, and phone service will not be affected by a Y2k failure.

For more information, see **DETAILED CONTINGENCY PLAN A.**

PLAN B

Potential Failure: The Loan Consolidation Center cannot receive completed verification certificates from loan holders.

Mitigation Plan: In fall 1999, ED will notify the loan holder community that ED and EDS encourages the loan holder community to expedite all certification requests that are initiated in December.

Contingency Plan: In the event that loan holders cannot complete the verification certificates, the LCC will obtain individual loan information, including loan balance, data, from the National Student Loan Data System (NSLDS) and the Direct Loan Servicing System (DLSS) and use this information to pay off underlying loan balances in order to consolidate a borrower's loans.

Assumptions: This plan assumes the Loan Consolidation Center staff will have uninterrupted access to the National Student Loan Data System (NSLDS) and the Direct Loan Servicing System (DLSS).

For more information see **DETAILED CONTINGENCY PLAN B**.

DETAILED CONTINGENCY PLAN A

This plan details the steps ED will take in the event that ED cannot image, data enter, or otherwise process paper Direct Consolidation Loan Applications on January 1, 2000.

Business Owner (*This is the name of the business process owner with implementation authority.*)

Team Leader, Direct Consolidation Loan Team, Direct Loan Task Force
U. S. Department of Education
ROB-3, Room 5626
7th and D Streets, SW
Washington, DC 20202-5404

Account Manager, Loan Origination Center (Consolidation Operations)
EDS
474 South Court Street
Montgomery, AL 36104

I. Prerequisites (*Activities that need to be completed on or before December 31, 1999, to implement the contingency plan.*)

1. ED and LOC staff will obtain access to current EDS operating procedures that govern system backups and inventory control by mid-December 1999.

2. ED and LOC staff will obtain current EDS manual procedures that define system and user processes/procedures by mid-December 1999.
3. All Direct Loan transactions which have been sent to the Central Data System (CDS)/Direct Loan Servicing System (DLSS) by December 15, 1999, will be acknowledged or XE'd (rejected due to an edit failure) by December 31, 1999.

II. Zero-Day Strategy *(In some instances it may be possible to minimize the risk of failure. The zero day strategy provides for risk reduction activities such as shutting down non-essential dependent processes to protect the critical process.)*

Detailed information about the Day One Plan and Zero Day Strategy is maintained by OSFA's Student Aid Origination Team, Program System Services (PSS) as part of their Y2K preparation.

III. Trigger Criteria *(The criteria define the instance of failure, time required to initiate the contingency plan, and the time required to conduct other trigger activities.)*

Trigger *(A trigger is an event or chain of events that signals the need to implement the contingency plan.)*

The imaging entry system is unable to process paper applications for three consecutive days, or the Loan Consolidation System is unavailable to support system processing of paper applications for three consecutive days. Another four days will be allowed in order while the system is being repaired.

System Monitoring *(Ongoing systems review process.)*

ED monitors system performance daily through cycle and production reports that are distributed and discussed in a daily 9AM conference call. This daily review provides for early identification of issues that may interrupt business operations if not resolved on a timely basis.

Key Contacts:

ED LC Systems Team Lead, Washington, DC

ED LC Management Support, Washington, DC

ED LC Operations Liaison, Montgomery, AL

EDS LC Production Support Manager, Louisville, KY

Account Manager
Loan Origination Center (Consolidation Operations)

Response Procedure *(Procedures for notifying responsible parties of system failures.)*

EDS Production Support Manager in Louisville, KY, will contact EDS LCC Account Manager, ED LC Systems Lead and ED LC Production staff will notify:

1. ED LC Team Lead
2. ED Acting Director of Direct Loan Task Force

Event Monitoring *(Parties responsible for overseeing system repairs.)*

Independent Quality Control Unit (IQC) personnel will work with ED and EDS staff to continually monitor progress toward issue resolution, including a walk-through of all issue identification and resolution discussions. They will validate resolution of any failure report simultaneously the status of the resolution to ED and EDS.

Key Contact:

Quality Control Manager
PricewaterhouseCoopers, Montgomery, AL

Failure Tolerance Threshold *(The time ED will allow for system repairs to be completed before implementing the contingency plan.)*

The failure tolerance threshold for this process is 14 days.

Implementation Timeframe *(The time it will take to implement the contingency plan.)*

Depending on the extent of the failure the implementation timeframe for this process is up to seven days.

Go No-Go Decision Point *(The last day by which the Business Owner must decide whether to proceed with the plan so that it can be implemented on the next after the Failure tolerance Threshold.)*

ED will commit to this contingency beginning the 7th day after being notified of the failure. (three days from the time the LOC receives an application for normal imaging and data entry functions plus four days to bring up imaging and or data entry systems).

In the event of a total system failure, if system recovery has not occurred by the close of the 10th business day, the LOC system will be shutdown, applications will cease to be accepted and the LOC will move directly to the Disaster Recovery Action Items found in the Loan Consolidation Center's Disaster Recovery Plan.

Notification Procedures *(The actions ED will take to inform customers and partners of the system failure and the contingency plan requirements.)*

ED's Loan Consolidation Team Lead will draft a Customer Service Bulletin to be posted to the ED's Web page (IFAP), and the appropriate customer list-serves in order to inform the community of possible disruption in providing information regarding the processing status of applications.

She will also approve scripts and or VRU messages that are written by LCC staff to assist customer service representatives at ED or the LCC respond to inquiries from applicants.

Information will also be provided to:

Director of Client Account Managers, and to the Director, Training and Program Information Division, for use by the Public Inquiry Contractor (PIC).

IQCU (Chuck Latham) will be notified to begin monitoring the temporary process to assure data and information integrity is preserved.

IV. Business Resumption Team *(Identify and list roles and responsibilities of the persons involved in implementing the contingency plan.)*

Business Owner, ED Direct Consolidation Loan Team Lead

Manage the overall activities of ED staff with respect to the Direct Consolidation Loan program and communicate to senior ED management through the Director of the Direct Loan Task Force

Account Manager
Loan Origination Center (Consolidation Operations)

Manage the LCC facility and staff and is the responsible administrative officer for the Loan Consolidation Center

EDS LC Production Support Manager

Manage the LCC system for EDS. Oversee the

development and testing of system fixes.

ED LC Operations/Customer Service Team Lead

Review and advise on all operations matters and interactions with customers. Assists Team Lead.

ED Direct Consolidation Loan Systems Team Lead

Responsible for system and production issues for ED.

ED LC COTR

Coordinates interactions with contractor according to contract requirements.

Security Officer, Student Aid Origination Team, Program Systems Service

Monitor overall activities to ensure that proper levels of security and access are being enforced.

ED On-site Monitor – Louisville, KY

Monitor contractor performance at the Loan Consolidation Center in Louisville, KY.

ED On-site Liaison – Montgomery, AL

Advise and assist the contractor on day-to-day issues. Monitor customer service performance.

V. Sequence of Required Activities *(The activities that the Business Resumption Team will carry out after the Business Owner decides to implement the contingency plan.)*

1. Receive notification of the failure January 1.
2. Gather data needed for decision to implement the contingency January 1-7. The Business Owner will make the decision on January 7.
3. Communicate failure and decision to senior management of ED and ED's LC COTR January 10.
4. In the event the system is not repaired by the 10th business day, the Business Owner will approve a notice to schools and borrowers to be posted to OSFA's Web by the Customer Service Branch and a phone script to inform applicants that the LCC has temporarily ceased accepting new applications.
5. Initial screening, sorting and batching of applications will continue in the

mailroom as usual. After the applications are batched, instead of being imaged or data entered at this time, they will be forwarded in batches to the Exam Entry function. Verification certificates will be manually prepared.

6. Upon notification that the LOS has been repaired, the LCC will revert to its normal processes for imaging, data entry and Verification Certificate preparation.
7. If the LCC has temporarily suspended application receipt, there will be a notice to schools and borrowers posted to OSFA's Web site and a phone script will be prepared to inform applicants that the LCC has begun accepting new applications.

VI. Testing Plan (The activities ED will carry out before December 31, 1999, to test the contingency plan.)

No testing plan is required because this contingency is based on current manual procedures. The current contract requires the total volume received be processed within the emergency level of performance.

DETAILED CONTINGENCY PLAN B

This plan details the steps ED will take in the event that the Direct Consolidation Loan Center cannot receive verification certificates from loan holders for the purpose of obtaining pay-off balances and completing an applicant's request for a Direct Consolidation Loan.

Business Owner (*This is the name of the business process owner with implementation authority.*)

Team Leader, Direct Consolidation Loan Team, Direct Loan Task Force
U. S. Department of Education
ROB 3, Room 5626
7th and D Streets, SW
Washington, DC 20202-5404

In consultation with EDS, ED's contractor for Direct Consolidation Loan processing:

Account Manager, Loan Origination Center (Consolidation Operations)
EDS
474 South Court Street
Montgomery, AL 36104

I. Prerequisites (*Activities that need to be completed on or before December 31, 1999, to implement the contingency plan.*)

1. ED and LOC staff will obtain access to current EDS operating procedures that govern system backups and inventory control by mid-December 1999.
2. ED and LOC staff will obtain current EDS manual procedures that define system and user processes/procedures by mid-December 1999.
3. LOC staff have access to NSLDS and the Direct Loan Servicing System. (completed).
4. A letter will be drafted to inform loan holders that the pay-off they are receiving is based on latest available information by fall 1999.

II. Zero-Day Strategy *(In some instances it may be possible to minimize the risk of failure. The zero day strategy provides for risk reduction activities such as shutting down non-essential dependent processes to protect the critical process.)*

To minimize the potential of data anomalies and possible data conversions, a detailed schedule will be developed to ensure that the outstanding certification requests are reduced to a minimum by December 31, 1999.

Detailed information about the Day One Plan and Zero Day Strategy is maintained by OSFA's Student Aid Origination Team, Program System Services (PSS) as part of their Y2K preparation

III. Trigger Criteria *(The criteria define the instance of failure, time required to initiate the contingency plan, and the time required to conduct other trigger activities.)*

Trigger *(A trigger is an event or chain of events that signals the need to implement the contingency plan.)*

Loan Consolidation does not receive completed certifications from specific loan holders (including DLSS) within 14 days or a loan holder informs the LOC that it cannot provide pay-off information.

System Monitoring *(Ongoing systems review process.)*

ED monitors system performance daily through cycle and production reports that are distributed and discussed in a daily 9AM conference call. This daily review provides for early identification of issues that may interrupt business operations if not resolved on a timely basis.

In addition there are daily conferences between the LCC's Certification Team and ED's LC Lender Liaison and ED's LC Operations Liaison, Montgomery, AL, concerning loan holders' responses to request for pay-off information.

Response Procedure *(Procedures for notifying parties of system failures.)*

EDS LCC Assistant Operations Manager in Montgomery, AL, will contact EDS LCC Operations Manager, Montgomery, AL, EDS, Account Manager Loan Origination Center -- Consolidation Operations and ED LC Operations Liaison, Montgomery, AL, and ED LC Lender Relations and ED LC Production staff.

ED LC Lender Relations will notify:

1. ED LC Team Lead
2. ED Acting Director of Direct Loan Task Force
3. ED Direct Loan Servicing Systems Director

Event Monitoring *(Parties responsible for overseeing system repairs.)*

Independent Quality Control Unit (IQC) personnel will work with ED and EDS staff to continually monitor progress toward issues resolution, including a walk-through of all issue identification and resolution discussions. They will validate resolution of any failure and simultaneously report to ED and EDS the status of the resolution. IQC will confirm that the contingency is no longer needed when the LOC is able to verification certificates from loan holders that properly reflect borrower loan activity.

Key Contact:

Quality Control Manager
PricewaterhouseCoopers, Montgomery, AL

Failure Tolerance Threshold *(The time ED will allow for system repairs to be completed before implementing the contingency plan.)*

One business day following the determination of failure.

Implementation Timeframe *(The time it will take to implement the contingency plan.)*

Depending on the extent of impact, the contingency can be implemented in one day based on current operating procedures.

Go No-Go Decision Point *(The last day by which the Business Owner must decide whether to proceed with the plan so that it can be implemented on the next after the Failure Tolerance Threshold.)*

ED and EDS will evaluate the extent of the impact, and the Business Owner will make the decision to implement this contingency beginning the day after being notified of the failure.

Notification Procedures *(The actions ED will take to inform customers and partners of the system failure and the contingency plan requirements.)*

If the failure is widespread, ED's Loan Consolidation Team Lead, will draft a Customer Service Bulletin to be posted to the ED's Web page (IFAP), and the appropriate customer list serves to inform the community that the contingency has been implemented. She will also approve VRU messages that are drafted by LCC staff to assist customer service representatives at ED or the LCC in responding to inquiries from applicants.

Affected loan holders will be notified that the LCC could not obtain exact payoff information so that they will be prepared to adjust the pay-off amounts at a later time.

Information will also be provided to:

ED's Director of Client Account Managers, and ED's Director, Training and Program Information Division, for use by the Public Inquiry Contractor (PIC).

IQCU will be notified to begin monitoring the temporary process.

IV. Business Resumption Team *(Identify and list the roles and responsibilities of team members.)*

ED Direct Consolidation Loan Team Lead

Manage the overall activities of ED staff with respect to the Direct Consolidation Loan program and communicate to upper ED management through the Director of the Direct Loan Task Force.

ED Direct Consolidation Loan Operations/Customer Service Team Lead

Review and advise on all operations matters and interactions with customers. Assists Team Lead.

ED Direct Consolidation Loan Lender Relations

Assist and advise the LCC certification team on obtaining loan holder information; monitors loan holder issues for the LC Team

ED Direct Consolidation Loan Operations Liaison, Montgomery, AL

Advises and assist the contractor on day-to-day issues. Monitors customer service performance.

ED Direct Consolidation Loan Systems Team Lead

Responsible for system and production issues, monitors that Direct Loan pay-off balances are flowing to the Loan Consolidation Center.

Security Officer, Student Aid Origination Team, Program Systems Service

Monitor overall activities to ensure that proper levels of security and access are being enforced.

EDS LCC Operations Manager, Montgomery, AL

Manage day-to-day operations of the LCC Montgomery, AL LCC site, including customer service issues.

EDS LCC Assistant Operations Manager, Montgomery, AL

Supervise the LCC certification team that has responsibility for obtaining loan holder information

V. Sequence of Required Activities *(The activities that the Business Resumption Team will carry out after the Business Owner decides to implement the contingency plan.)*

1. Business Owner receives notification of a failure.
2. Upon authorization from the Business Owner, the Certification Team at the LOC will begin accessing NSLDS and/or DLSS for pay-off information and creation of manual certifications.
3. When notified system is repaired, LOC will terminate accessing NSLDS and DLSS and resume processing with verification certificates.

VI. Testing Plan *(The activities ED will carry out before December 31, 1999.)*

No testing plan is required because this contingency is based on current manual procedures. The current contract requires that total volume received be handled within 90 days.

Business Process II E

Student Aid Origination and Disbursement Schools and Third-Party Servicers

BUSINESS PROCESS GOAL: For schools to originate and disburse title IV program funds to eligible students and for third-party servicers to assist schools in originating and disbursing those funds.

BUSINESS PROCESS CONTINUITY AND CONTINGENCY PLANS FOR SCHOOLS AND THIRD-PARTY SERVICERS

PLAN A

Potential Failure: A system failure at a school prevents the school from executing various origination or disbursement activities such as: (a) receiving ISIR data; (b) determining whether a student is eligible or the type and amount of aid to disburse; (c) creating or transmitting origination or disbursement records to ED; (d) disbursing funds to students; and (e) certifying FFEL loan applications (see also Team VIII) or creating Direct Loan promissory notes.

Mitigation Plans: In fall 1999, ED will issue guidance encouraging schools to:

1. Use EDExpress or other Y2K compliant software to perform a variety of financial aid awarding and reporting functions.
2. Inform their students (and parent borrowers) to apply for aid early so that award determinations can be made for the 1999-2000 award year before January 1, 2000.
3. Prepare aid packages for students that are scheduled to begin or continue classes in January and February 2000.
4. Make arrangements to provide short-term loans to students that are adversely affected or extend the deadlines by which students must pay their tuition bills.
5. Consider entering into a contingency contract with a third-party servicer to ensure that financial aid processing and disbursements to students would continue.
6. Consider entering into a contingency contract with another school to ensure that processing of ISIRs for students would continue.
7. Perform data exchange testing with ED and lenders.
8. Insist that their third-party servicers perform data exchanges with ED.
9. Back up all title IV relevant data.

Assumptions:

1. Schools can identify the Y2K compliance status of other software.

2. Schools can identify the Y2K compliance status of third-party servicers.
3. ED will not consider a school that receives ISIR data on behalf of one or more schools that experience Y2K failures to be a third-party servicer as described under §668.2. Consequently, that school will not have to submit a compliance audit as required under §668.23 (c).

No **DETAILED CONTINGENCY PLAN** provided because this plan does not address an ED system failure.

PLAN B

Potential Failure: A school's registration system fails preventing it from determining the title IV eligibility of its students based on current information, e.g., the school cannot determine a student's enrollment status, satisfactory progress, or whether the student is enrolled in an eligible program.

Mitigation Plans: In fall 1999, ED will issue guidance encouraging schools to:

1. Take steps to obtain in fall 1999 registration and pre-registration information for students beginning or continuing classes after January 2000. These steps may include moving a normal registration period from January 2000 to December 1999;
2. Make arrangements to provide short-term loans to students that are adversely affected or extend the deadlines by which students must pay their tuition bills; and
3. Develop other processes, including manual processes, for determining the enrollment status and eligibility of students who begin classes after January 2000.

Contingency Plan: For students enrolled or pre-registered in classes in fall 1999, ED will allow the school to package, if not previously packaged, and credit students' accounts using fall 1999 enrollment or pre-registration information, but not disburse funds directly to students or parents. When the systems are repaired, a school must determine the actual eligibility for the funds that were credited. For any students who are ineligible for the amounts credited, funds must be returned.

Assumptions:

1. The school can package financial aid, credit accounts, and disburse funds.
2. ED will not enforce the requirement that a school pay credit balances no later than 14 days after the start of classes as described under §668.164(e). However, if a school makes a short-term loan to a student in lieu of paying a credit balance, it may not charge the student interest on that loan and notify students that it is not authorized to charge interest. A school must pay title IV credit balances no later than the 30th day after crediting students' accounts.
3. The school can determine the title IV eligibility of its students based on its December 1999 records (back-up data) and/or other records that it obtains from manual or alternative processes.

4. ED will not enforce the requirements that a school determine a student's eligibility for aid contemporaneous with making a disbursement for 30 days after making the disbursement, as described under the program regulations in §682.604 for FFEL, §685.303 for FDSL, §690.75 for Pell, §675.9 for FWS, §674.9 for FSEOG, and §676.9 for Federal Perkins Loan.

No **DETAILED CONTINGENCY PLAN** provided because this plan does not address an ED system failure.

PLAN C

Potential Failure: A school's accounting system fails preventing it from debiting student accounts for institutional charges or from crediting student accounts with title IV aid or other payments.

Mitigation Plans: In fall 1999, ED will issue guidance encouraging schools to

1. Perform a full back up of their accounting systems prior to January 1, 2000.
2. Obtain hard copies of all general ledger and subsidiary accounts as of December 31, 1999.
3. Make arrangements in fall 1999 to switch temporarily to another accounting package or system in the event of a Y2K failure after January 1, 2000.

Contingency Plans:

1. ED will allow a school to request title IV funds that it needs for its immediate disbursement needs provided that it has documentation that identifies the type and amount of aid that students are eligible to receive (the documentation must provide a clear audit trail). The school may subsequently transfer the funds to its operating account even though its accounting system would not show that title IV disbursements have been made.
2. If a school's accounting system fails after it receives title IV funds, ED will allow the school 10 business days to update its general ledger and subsidiary accounts to show that it credited the accounts of title IV recipients.
3. If a school's accounting system fails after it receives title IV funds, ED will not enforce the 3-day disbursement rule as described under §668.162(b)(3) and §668.167(b)(1). ED will allow the school 10 business days to update its general ledger and subsidiary accounts to show that it credited the accounts of title IV recipients.

Assumptions:

1. The school can determine the type and amount of aid that students are eligible to receive.
2. ED will not enforce the requirement that a school pay credit balances no later than 14 days after the start of classes as described under §668.164(e). However, if a school makes a short-term loan to the student in lieu of paying a credit balance, it may not charge the student interest on that loan. A school

must pay title IV credit balances no later than the 30th day after crediting student accounts.

3. If a school's accounting system fails after it receives title IV funds, ED will not enforce the 3-day disbursement rule as described under §668.162(b)(3) and §668.167(b)(1). ED will allow the school 10 business days to update its general ledger and subsidiary accounts to show that it credited the accounts of title IV recipients.

No **DETAILED CONTINGENCY PLAN** provided because this plan does not address an ED system failure.

PLAN D

Potential Failure: A third-party servicer system failure prevents it from carrying out various origination or disbursement activities on behalf of a school such as: (a) receiving ISIR data, (b) determining whether students are eligible to receive aid or the type and amount of aid they are eligible to receive, (c) creating or transmitting origination or disbursement records to ED, (d) disbursing funds to students, and (e) certifying FFEL loans (See also Team VIII) or creating Direct Loan promissory notes

Mitigation Plans:

1. In fall 1999, ED will issue guidance encouraging school servicers to:
 - Advise schools that they should inform their students (and parent borrowers) to apply for aid early so that award determinations can be made for the 1999-2000 award year before January 1, 2000.
 - Perform data exchange testing with ED.
 - Back up all title IV relevant data.
 - Perform all possible business processes before December 31, 1999, such as printing checks for distribution to schools.
 - Provide to schools summary reports that contain all data necessary to originate and disburse funds. Schools can use the data in these reports to originate and disburse fund manually, using EDExpress, using another third party servicer, or using another school.
 - Consider entering into a contingency contract with another third-party servicer to ensure that financial aid processing and disbursements to students would continue. ED's web site (www.ed.gov/offices/OCIO/year/events.html) identifies third-party servicers who have successfully tested their data exchanges with ED.
2. In addition, ED will:
 - Request statements of Y2K compliance and a copy of contingency plans from high volume school servicers. (Completed in July 1999)
 - Alert schools to verify the compliance of their servicers as required by DC GEN-98-1 by including it in a letter to all school requesting the status of their Y2K readiness. (Completed May 1999)

- Identify on its web page those school servicers that test successfully with ED.

Assumption: Schools can originate and disburse funds based on the school servicer summary reports.

No **DETAILED CONTINGENCY PLAN** is provided because this plan does not address an ED system failure.